From:	Michael Overbay
To:	john.satterfield@chk.com
Cc:	Chris Hill; David Jewett; Doug Beak; Susan Mravik; Florentino, Gene; Lukert, George; George; Jeanne Briskin; Stephen Hess
Subject:	Access agreement insurance requirements
Date:	08/22/2012 05:23 PM

Hello John,

I spoke with Chris a little while ago and relayed this information to him, but wanted to follow up on it with an email to you.

I and Stephen Hess, of our Office of General Counsel in D.C., have been working with our contractors to try and accommodate Chesapeake's requests for insurance coverage which were added to the access agreement by Chris's submittal on August 10th. We have yet to find a way to comply with the language Chesapeake has requested be included in the Access Agreement in Section 6.(a)(ii), which says, "Such insurance shall include coverage for underground resource damage including but not limited to damage to any wellbore."

As of today (and I just confirmed this with our prime contractors after speaking with Chris this afternoon) the feedback I have is that this type of insurance is typically associated with oil and gas operations, and since our contractors and drilling sub will not be the owner of the gas well, they have yet to find a source for this type of insurance. This means that as of now, we have no ability to provide this coverage, regardless of the cost. Also, the feedback from the subs is that they have never had to purchase this type of insurance before for any other projects.

EPA's belief is that there is not a significant risk of this type of damage occurring. We have already agreed that *if* we need to use directionally drilled wells under the pad we will adhere to the 30' setback from the well, and we anticipate we will be using technology which has a 3' accuracy, making any damage to the wellbore and resulting underground resource damages extremely unlikely. It was my understanding from the conversation with Paul at the meeting in D.C a few weeks ago that he also agreed that there was little or no risk of this type of damage, and he agreed to drop the insurance requirements related to damages to the wellbore and regaining control of the well during a blowout. Chris told me today he only referred to the wellbore blowout issue, but that was not how we perceived his intent.

Regardless, because of the extremely low risk of damages and our inability to secure this type of insurance, we would like to remove this requirement in Section 6.(a)(ii) from the agreement.

Another aspect of the agreement that is problematic is the addition of new language to section 6.(a), which would require all of EPA's subcontractors to provide the requested insurance certificates of coverage with Chesapeake as a named insured and with a waiver of subrogation. Our intent was to do so for EPA' prime contractor and the drilling subcontractor, but we did not anticipate providing this for other subcontractors, such as the surveyor and geophysical logging company. These contracts are much smaller in value than the drilling contract, and I have been told by my contractors that there is a reluctance on the part of the subs to modify their insurance documents for such limited efforts. As you know, due to the booming oil business in this area, these subs have no shortage of work. However, we are willing

to provide the requested insurance certificates showing they have the worker's compensation, general liability, and automotive liability insurance.

Please let me know what your thoughts are on these issues. Once these insurance issues are resolved, we will proceed with securing the subcontractors for the drilling, surveying and geophysical logging.

In the meantime, we are continuing to move forward with the preparation and internal review of the Phase I QAPP, and we expect to be able to provide it to Chesapeake, the Oklahoma Conservation Commission (Tim Baker) and the Oklahoma Water Resources Board (Kent Wilkins) for review on or about September 10 for a one week review.

Best regards,

Mike

Michael Overbay, P.G.
Regional Ground Water Center Coordinator
U.S. Environmental Protection Agency - Region 6
(214)665-6482
(214)665-2191 (FAX)